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IN THE

Supreme Court of the United States

OCTOBER TERM, 1947

No. 419

F. W. WOOLWORTH CO., and NIPS, INC.,
Petitioners,

against

GUERLAIN, INC.,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE COURT OF APPEALS OF THE STATE OF NEW YORK AND BRIEF IN SUPPORT THEREOF

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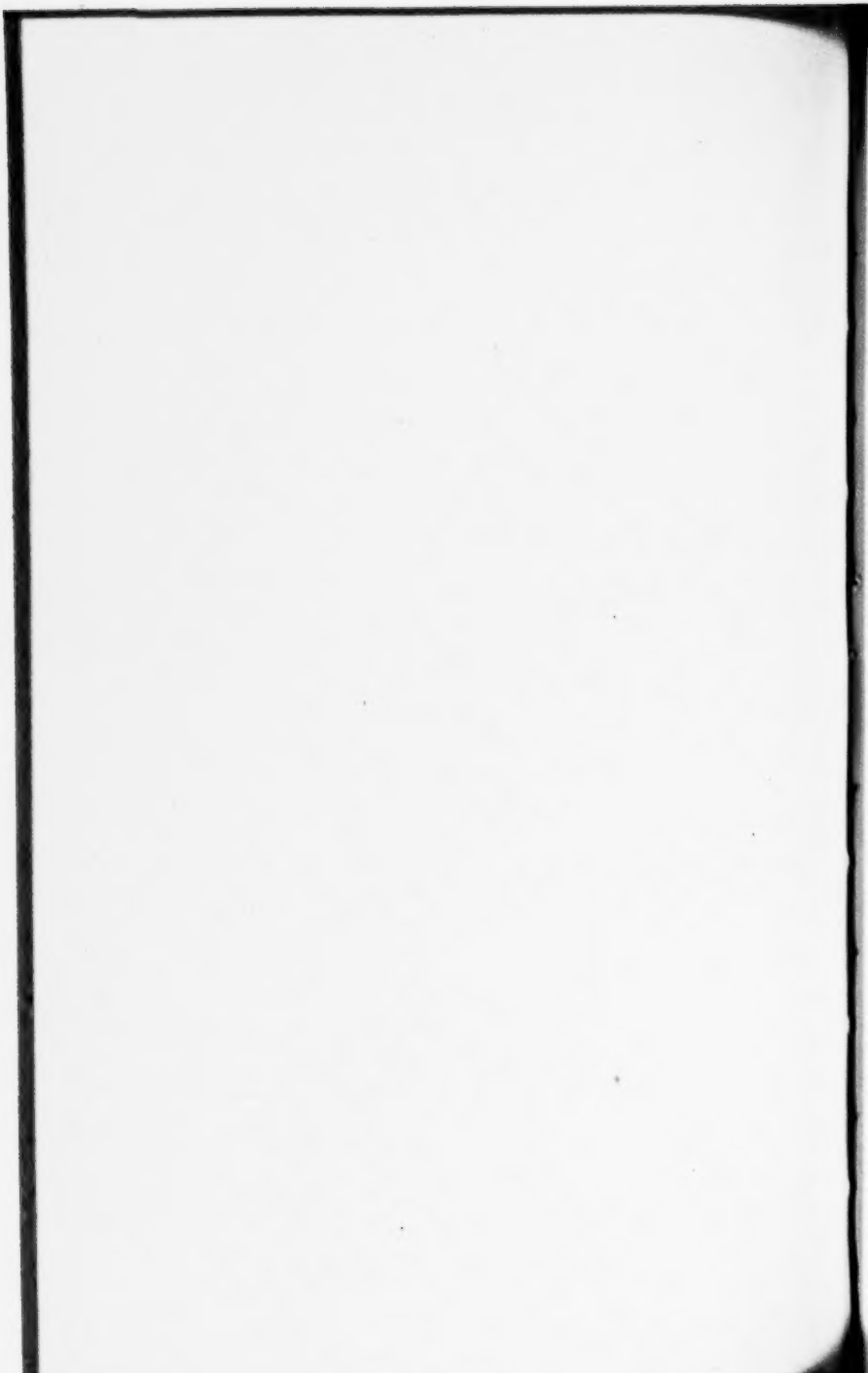

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Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE COURT OF APPEALS OF THE STATE OF NEW YORK.

To the Honorable the Chief Justice of the United States and the Associate Justices of the Supreme Court of the United States:

Your petitioners F. W. Woolworth Co. and Nips, Inc. respectfully represent to this Court:

I

Summary Statement of the Matter Involved

This is an action brought in the New York Supreme Court by Guerlain, Inc., respondent herein, against F. W. Woolworth Co., and Nips, Inc., petitioners herein, invoking the New York Fair Trade Act (Laws of 1935, Chap. 976 as amended), and asking injunctive relief to restrain petitioners from selling independently rebottled perfumes in small ampules under rebottling labels (determined by this

Court in *Prestonettes, Inc.* v. *Coty*, 264 U. S. 359, not to utilize perfumer's trade mark, name or brands) unless petitioner sells the 10¢ "Nips" for $1.60, the minimum price for minimum quantity under respondent's fair trade contracts (Complaint. Record pages 17-24).

Neither of petitioners is a party to such contracts.

The trial was by the Court without a jury and on August 9, 1939, a judgment was rendered dismissing the action on the merits (Opinion 171 Misc. 990 R. p. 152-155. Decision with findings. R. pp. 30-39). An appeal from said judgment was taken by respondent to the Appellate Division of the Supreme Court, First Department, which, on March 14, 1947 reversed the judgment of the Supreme Court, Special Term and granted the injunction (Opinion 271 App. Div. 925. Record p. 169. Judgment with findings. R. pp. 164-169). An appeal from said judgment was taken by petitioners to the Court of Appeals, which, on July 2, 1947, affirmed the judgment of the Appellate Division (Opinion 297 N. Y. 11. R. pp. 171-175).

The principal questions involved on said appeal were that the Fair Trade Act does not allow the perfumer to control the sales prices of independently rebottled perfumes sold under rebottler's name with a fair and clear statement; that Section 2 of the Fair Trade Act (the non-signer clause), if thus applied, impairs these petitioners' rights under the Fourteenth Amendment of the Federal Constitution in that it allows, beyond respondent's trade mark monopoly, hostile control of resale prices in petitioners' business and prevents sales by description; and that such price control by the perfumer burdens interstate commerce beyond the allowances of the Miller-Tydings Amendment in violation of the Sherman Anti-Trust Act. These questions were determined in favor of petitioners by the findings of the trial court, but such findings were reversed by the Appellate Division and the questions were adversely determined by the affirmance of the Court of Appeals.

II

Statement of Jurisdiction

The jurisdiction of this Court is invoked under Section 237(b) of the Judicial Code, as amended by the Act of February 13, 1925 (28 U. S. C. A., Sec. 344(b)) in that there is drawn in question the validity of the statute of New York State on the ground of its being repugnant to the Constitution and laws of the United States and in that rights and immunities are specially set up and claimed by your petitioners under the Constitution and statutes of the United States.

The decision of the New York Court of Appeals, the highest court of the State in which a decision could be had, affirming the final judgment granting injunctive relief was rendered on July 2, 1947.

Petitioners' time to file this petition has been extended, by order, to November 3rd, 1947 (R. p. 178).

III

The Questions Presented

(1) Does not the New York Fair Trade Act, as construed below, violate petitioners' rights to due process under the Fourteenth Amendment in that by price control of petitioners' articles it allows respondent to prohibit sales by description of independently rebottled perfume?

(a) May the perfumer (as against non-signers of his trade agreements) control the resale price of the 70 divisions into which his commodity is repackaged where their total sales price is greater than the sales price of his original package?

(b) May the perfumer (as against non-signers of his trade agreements) control the resale prices of the 70 divisions into which his commodity is repackaged where the

smaller packages are sold under labels which do not use his name or brands as trade marks?

(2) Does not respondent's price control of petitioners' independently rebottled perfumes in interstate commerce exceed the sanction of the Miller-Tydings Act?

(a) Does the Miller-Tydings amendment (which contains no non-signer clause) justify a combination in restraint of trade against non-signers of the fair trade agreements?

(b) Does not the "commodity" cease to be the respondent's within the meaning of the Miller-Tydings amendment when it is divided, repackaged into 70 parts and sold at a total price above respondent's minimum price?

(c) Does not respondent's commodity cease to bear "the trade mark, brand or name of the producer or distributor of such commodity" within the meaning of the Miller-Tydings act when the commodity is divided into 70 repackaged ampules and labeled with the name of the rebottler with a true and fair descriptive statement making merely a collateral reference to respondent's trade marks?

(d) Does not respondent's resale price control, as allowed herein beyond his trade mark boundaries, constitute an illegal extension of respondent's trade mark monopoly in violation of public policy?

IV

The Statutes Involved

The New York Fair Trade Act (L. 1935 Chap. 976, as amended, now General Business Law Art. XXIV-A, Section 369-a and Section 369-b are as follows:

> "§ 369-a. Price fixing of certain commodities permitted
>
> 1. No contract relating to the sale or resale of a commodity which bears, or the label or content of

which bears, the trade mark, brand or name of the producer or owner of such commodity and which is in fair and open competition with commodities of the same general class produced by others shall be deemed in violation of any law of the state of New York by reason of any of the following provisions which may be contained in such contracts:

(a) That the buyer will not resell such commodity except at the price stipulated by the vendor;

(b) That the vendee or producer require any dealer to whom he may resell such commodity to agree that he will not, in turn, resell except at the price stipulated by such vendor or by such vendee.

2. Such provisions in any contract shall be deemed to contain or imply conditions that such commodity may be resold without reference to such agreement in the following cases:

(a) In closing out the owner's stock for the purpose of discontinuing delivering any such commodity.

(b) When the goods are damaged or deteriorated in quality, and notice is given to the public thereof.

(c) By any officer acting under the orders of any court.

§ 369-b. Unfair competition defined and made actionable.

Wilfully and knowingly advertising, offering for sale or selling any commodity at less than the price stipulated in any contract entered into pursuant to the provision of section three hundred sixty-nine-a, whether the person so advertising, offering for sale or selling is or is not a party to such contract, is unfair competition and is actionable at the suit of any person damaged thereby."

The Miller-Tydings amendment to the Sherman Anti-Trust Act (United States Code Title 15, Chap. 1, § 1), so far as involved herein, is as follows:

"§ 1. Trusts, etc., in restraint of trade illegal; exception of resale price agreements; penalty

> Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is hereby declared to be illegal: *Provided*, That nothing contained in sections 1-7 of this title shall render illegal, contracts or agreements prescribing minimum prices for the resale of a commodity which bears, or the label or container of which bears, the trade mark, brand or name of the producer or distributor of such commodity and which is in free and open competition with commodities of the same general class produced or distributed by others, when contracts or agreements of that description are lawful as applied to intrastate transactions, under any statute, law, or public policy now or hereafter in effect in any State, Territory, or the District of Columbia in which such resale is to be made, or to which the commodity is to be transported for such resale, and the making of such contracts or agreements shall not be an unfair method of competition under section 45, as amended and supplemented, of this title: * * *."

V

Manner in Which Questions Herein Presented are Raised

Petitioners in their answers pleaded violations of the Fourteenth Amendment in the application of the Fair Trade Act to the independent rebottling of the perfume under the judicially approved labels and violations of the Sherman Anti-Trust Act and Clayton Act (R. pp. 16, 20, 22).

The questions were directly involved in the trial of the case and the trial court found that petitioners' rights under the Fourteenth Amendment had been violated (Conclusion 9, R. p. 38) and that respondent's contracts with retailers and its acts thereunder were against public policy, in restraint of trade and void under the Sherman Anti-Trust Act and under the Clayton Act (Conclusion 14, R. p. 39). These findings were reversed by the Appellate Division.

It was conceded on the trial that petitioner Nips was engaged in interstate commerce in the sale of perfumes

manufactured by respondent and rebottled by Nips; that respondent is engaged in interstate commerce in its perfumes and intends to take action in accordance with the Fair Trade laws of the several states and in accordance with the Miller-Tydings Act (R. p. 50). The complaint alleges registration of trade marks in the United States Patent Office (R. p. 5) and the decision below refuses to recognize any distinction between the use of respondent's names *qua* trade mark and in collateral reference (R. p. 174).

The injunction herein constitutes a recognition and an enforcement of respondent's restraint of trade. Petitioner Nips is enjoined and restrained from advertising, offering for sale, selling, distributing or in any manner handling any products which bear the trade marks, brands or names of the plaintiff which are intended to be sold in retail outlets at less than respondent's prices (R. p. 168). The Appellate Division found that the product packaged by petitioner Nips bears the trade marks of respondent (R. p. 165).

V I

Summary Statement of Facts

The first fifteen findings of the trial court have not been reversed.

During the fifteen years before the trial, that is, since 1923, petitioner Woolworth had bought and sold, at retail, independently rebottled perfumes and for a number of years had sold perfumes of the Guerlain variety independently rebottled by the petitioner Nips, Inc. During such period there has been a trade in independently rebottled perfumes and toilet waters sold throughout New York State and throughout the United States involving, so far as petitioner Woolworth is concerned, a million dollars a year (R. p. 31).

The only business of petitioner Nips, Inc. has been the rebottling of perfumes. The rebottling has been by means of a patented process in air-tight, sealed glass ampoules

containing about one-seventieth of a dram of perfume. The sales by petitioner Nips are in New York State and in the different States of the Union in interstate trade and commerce (R. p. 31).

Petitioner Woolworth has been selling independently rebottled perfumes such as Guerlain's in packages bearing the following inscription:

"NIPS
Perfumes
Genuine French Extracts
Guerlain's
Shalimar
Rebottled by Nips, Inc., N. Y.
Wholly Independent of
Guerlain."

The word "Nips" in the label is printed in larger letters than any of the other words, and the words "Rebottled by Nips, Inc., N. Y. Wholly Independent of Guerlain" are plainly printed in letters all of the same size (R. p. 32).

Petitioner Woolworth has been selling the perfume in small containers at a price of 10¢. Petitioner Nips purchases the perfume in the open market and rebottles and repacks it under such label (R. p. 33).

The total resale price to the public is $7.00 for a sufficient number of ampoules to equal a dram, as against the price of $1.60 maintained by the respondent for "one dram or less." (R. p. 33).

Respondent Guerlain sells the perfume under trade marks, names and brands filed in the U. S. Patent Office (R. p. 5) in containers of not less than three-quarters of an ounce, so corked or stopped that the desired amount of perfume for each particular use may from time to time be withdrawn, the bottle re-corked and re-stopped, and used again. Such bottle in ordinary use may last a year (R. p. 33).

The petitioners' ampoule is so formed that it may be readily carried in a lady's handbag and used as desired as distinguished from bottles of respondent which cannot be so conveniently carried or used. (The ampoule can be

used but once and then only by breaking the two ends of the ampoule).

VII

Reasons Relied Upon for the Allowance of the Writ

The right of a merchant to sell by fair description has been denied and respondent's trade mark monopoly by price control has been extended beyond previously recognized boundaries. This new doctrine is not limited to perfume but would have equal application to sales of other divided and repackaged commodities, and of second hand, repaired or reconditioned articles. The articles involved are in interstate commerce and the construction a federal statute, designed to take a restricted class of contracts from the condemnation of the Sherman Anti-Trust Act, is involved.

The questions are federal, of substance and have not heretofore been determined by this Court.

WHEREFORE your petitioners respectfully pray that a writ of certiorari be issued, directed to the New York Court of Appeals in respect of its judgment herein, to be reviewed by this Court and for such other relief as to this Court may seem proper.

Dated: October 29, 1947.

F. W. WOOLWORTH CO.
By MARTIN A. SCHENCK
and
KENNETH W. GREENAWALT
Counsel for Petitioner

NIPS, INC.
By MARTIN A. SCHENCK
and
KENNETH W. GREENAWALT
Counsel for Petitioner

CERTIFICATE OF COUNSEL

We hereby certify that we have examined the foregoing petition for a writ of certiorari and that in our opinion it is well founded and the cause is one in which the petition should be granted.

Dated: New York, N. Y., October 29, 1947.

MARTIN A. SCHENCK
KENNETH W. GREENAWALT
Attorneys for Petitioners,
F. W. Woolworth Co. and
Nips, Inc.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1947

No. ----------

F. W. WOOLWORTH CO., and NIPS, INC.,
Petitioners,
against
GUERLAIN, INC.,
Respondent.

PETITIONERS' BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

This petition seeks review on certiorari to the New York Court of Appeals of a judgment which has so applied the New York State Fair Trade Act as to allow respondent perfumer to control the sales price of petitioners' independently rebottled perfumes carrying labels approved by this Court in *Prestonettes, Inc.* v. *Coty,* 264 U. S. 359.

POINT I

The New York Fair Trade Act, as construed below, violates petitioners' rights to due process under the Fourteenth Amendment in that it prohibits sales by description of independently rebottled perfume.

The right of the merchant to buy and then resell without the original seller controlling the second sales price is a fundamental right protected by the Fourteenth Amendment (*Straus* v. *Victor Talking Machine Co.,* 243 U. S. 490 at 500; *Dr. Miles Medical Co.* v. *Park & Sons Co.,* 220 U. S. 373 at 404).

An exception to the general rule has been recognized under the Fair Trade Act where, in the resale, the trade-mark, name or brand of the original seller is involved and his good will is affected. In *Old Dearborn Co.* v. *Seagram Corp.*, 299 U. S. 183, this Court recognized the sale of trade-marked articles in the original containers as taken out of the general rule because of the good will of the owner of the trade-mark involved in the resale. This Court, throughout its opinion, emphasized that the control of the resale price was for the purpose of preventing a forbidden use of trade-mark, trade name or brand and to protect the good will of the trade-mark owner against injury. The Illinois statute (of identical terms with the New York statute herein) was held constitutional in its recognition of the essential difference between trade-marked goods and other goods not so identified.

But this Court in *Prestonettes, Inc.* v. *Coty*, 264 U. S. 359, per Holmes J., held that division and sale of perfumery in small containers under a label which merely made a collateral reference to the owner's trade-mark did not constitute a violation of the owner's trade-mark rights and that the perfumer's good will was not involved. This Court recognized the right to sell under a true statement of facts and stated that division of the larger quantity of perfume into smaller quantities under the approved label, constituted the article offered "as new and changed" (p. 369). This Court approved a label as taking the case out of the plaintiff's right of control and as constituting sufficient protection to the perfumer's good will. On further proceedings in the Circuit Court of Appeals of the Second Circuit (*Coty* v. *Prestonettes, Inc.*, 3 F. (2d) 984), the label was shortened and clarified and was held to protect the perfumer in respect not only of trade-mark infringement but of unfair competition.

The petitioners herein have been using this label.

The ampoule, because of its smallness, peculiar shape and limited use, constitutes an independent and additional element of change and newness.

This Court has recently in *Champion Spark Plug Co.* v. *Saunders*, 331 U. S. 125, applied the rule in *Prestonettes, Inc.* v. *Coty, supra,* to reconditioned Champion spark plugs sold under the name "Champion" with an additional statement that they were reconditioned and repaired.

The Court of Appeals herein has held (R. p. 174) "That statute does not draw any distinction between a use of plaintiff's mark *qua* trade-mark and a collateral reference to the mark in describing the product being sold, and we cannot, consonant with the manifest legislative purpose, construe the act as embodying any such distinction."

The petitioners desire to argue that the application of the Fair Trade Act to the business of independently rebottled perfumes sold under a fair and clear statement of fact constitutes an extension of the rule in *Old Dearborn Co.* v. *Seagram Corp., supra,* in violation of the merchant's right recognized in *Prestonettes, Inc.* v. *Coty* and in impairment of the merchant's constitutional right to control his sales price.

The New York Court of Appeals at first held the Fair Trade Act unconstitutional (*Doubleday, Doran & Co.* v. *Macy & Co.*, 269 N. Y. 272; *Seeck & Kade, Inc.* v. *Tomshinsky*, 269 N. Y. 613). In deference to *Old Dearborn Co.* v. *Seagram Corp., supra,* such Court held the Act constitutional in *Bourjois Sales Corp.* v. *Dorfman*, 273 N. Y. 167. As it said in *Portchester Wine & Liquor Shop* v. *Miller Bros.*, 281 N. Y. 101, at 105, it surrendered its view that Section 2 of the Act (the non-signer clause, now General Business Law, § 369-b, involved herein), was essentially obnoxious to the due process clauses.

It is appropriate, therefore, for this Court to coordinate its decision in *Old Dearborn Co.* v. *Seagram Corp, supra,* with its decision in *Prestonettes, Inc.* v. *Coty, supra.*

Petitioners submit that the constitutional questions presented are important. The right of merchants to sell their wares under a true statement of facts is fundamental and has been long recognized. (*Canal Co.* v. *Clark*, 13 Wall. 311, 327; *Krauss* v. *Jos. R. Peebles' Sons Co.*, 58 Fed. 585;

Taft, Cir. J. at 591; *Russia Cement Co.* v. *Katzenstein*, 109 Fed. 314, 317; *Russia Cement Co.* v. *Frauenhar*, 133 Fed. 518, 520; *Prestonettes, Inc.* v. *Coty* (*supra*).

If the Fair Trade Act allows the perfumer to control the price of independently rebottled perfumes sold under the rebottler's name, it not only destroys a long established industry in rebottled perfumes but can be used to destroy the sale of a wide variety of second hand articles. This Court has recently pointed out in *Champion Spark Plug* v. *Saunders, supra,* that if the sale of reconditioned spark plugs under the name of "Champion" could be enjoined, regardless of any true and clearly stated label or designation, that the sale of second hand Ford and Chrysler cars could likewise be enjoined. If the perfumer may by price control prevent division and independent rebottling, regardless of the clarity of the truth telling label, then the original manufacturer of not only spark plugs, but of automobiles, may control the price of such second hand articles.

POINT II

Respondent's price control of independently rebottled perfumes exceeds the sanction of the Miller-Tydings Act and constitutes an extension of trade-mark monopoly against public policy and in violation of the Sherman Anti-Trust Act.

The Miller-Tydings amendment has no non-signer clause. Its construction in respect to non-signers is involved herein.

Each petitioner pleaded, and the trial court found, violation of the Sherman Anti-Trust Act.

Guerlain in its complaint pleaded the filing in the Patent Office of trade-marks in Guerlain as well as in the brand name Shalimar.

It was conceded on the trial that the petitioner Nips is involved in interstate commerce in the articles in ques-

tion. Petitioner Woolworth's right to receive the articles for sale within the various states is sufficiently affected by any interference with interstate commerce as to enable it also to raise the point.

When Congress passed the Miller-Tydings Act, this Court had rendered its decision in *Old Dearborn Co.* v. *Seagram Corp., supra,* which decision was referred to in the debates in Congress (see in this connection *Pepsodent Co.* v. *Krauss Co.,* 56 F. Supp. 922, at 926).

The extension of the perfumer's price control to the rebottled article which this Court in *Prestonettes, Inc.* v. *Coty* has held to be new and changed by virtue of division, rebottling and labelling is, petitioners desire to argue, an extension of the perfumer's trade-mark monopoly in violation of the Sherman Anti-Trust Act (*United States* v. *Univis Lens Co.,* 41 F. Supp. 258; aff'd 316 U. S. 241; *United States* v. *Bausch & Lomb Co.,* 321 U. S. 707).

Against the very nature of trade-mark (*United Drug Co.* v. *Rectanus Co.,* 248 U. S. 90, 97-98) respondent has been allowed to make "a negative and merely prohibitive use of it as a monopoly". The words Guerlain and Shalimar have become taboo (*Prestonettes, Inc.* v. *Coty, supra*).

The construction of the Miller-Tydings Act in respect of the extent of trade-mark rights in interstate commerce is peculiarly a federal question for this Court to determine. The statement of the Court of Appeals toward the end of its opinion (R. p. 174)—"The fact remains that the commodity" (i.e., the petitioners' commodity involved) "bears the trade-mark and name of the producer of the perfume—the sole condition necessary to render the statute applicable" is directly contradictory to the holding of this Court in both *Prestonettes, Inc.* v. *Coty, supra,* and *Champion Spark Plug Co.* v. *Saunders, supra.*

The boundaries of monopoly have here been illegally extended by respondent's price fixing agreement to the restraint of trade in the article.

Katzinger Co. v. *Chicago Mfg. Co.,* 329 U. S. 394.

POINT III

The questions presented are important.

Important public policy in involved in the extention of monopoly beyond statutory allowances.

> *Morton Salt Co.* v. *Suppiger Co.*, 314 U. S. 488;
> *Mercoid Corp.* v. *Honeywell Co.*, 320 U. S. 680.

The respondent's method of price control as applied to non-signers has resulted in the destruction of the rebottling industry not only in New York State but in interstate commerce.

The Report of the Federal Trade Commission on Resale Price Maintenance, submitted to the Congress December 13, 1945 at pages LX, LXI states:

> "As the result of its investigations in antitrust cases, the United States Department of Justice has stated that, as an amendment to the antitrust laws, the Tydings-Miller Act does not serve the purposes which were urged upon Congress as a reason for its passage in that it sanctions arrangements inconsistent with the purpose of the antitrust laws, and becomes a cloak for many conspiracies in restraint of trade which go far beyond the limits established in the amendment. The conclusion of the Department of Justice is that the actual effects of resale price maintenance have been those which are to be expected from private price fixing conspiracies unregulated by public authority, whether or not they enjoy the sanction of law. The department has further stated it to be its belief that if its Antitrust Division had sufficient men and money to examine every resale price maintenance contract written under State and Federal legislation, and to proceed in every case in which the arrangement goes beyond the authorizations of the Tydings-Miller amendment, there would be practically no resale price maintenance contracts, and that, in the absence of such wholesale law enforcement, the system of resale price legislation fosters

restraints of trade such as Congress never intended to sanction.

The Federal Trade Commission, which shares with the Department of Justice the function of enforcing the antitrust laws, likewise finds both its personnel and funds insufficient to adequately investigate and proceed in all matters involving possible use of resale price maintenance contracts in violation of law."

CONCLUSION

The petition for the Writ Should be Granted.

Respectfully submitted,

MARTIN A. SCHENCK
KENNETH W. GREENAWALT
Attorneys for Petitioners

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RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

The New York Court of Appeals has decided that re-bottled perfume carrying a label which physically bears the manufacturer's name so employs the manufacturer's good will as to permit him to set the resale price thereof under the New York State Fair Trade Act. It is this judgment that the petitioners seek to review.

POINT I

No Federal question of substance is involved. The only question is whether violation of respondent's Fair Trade contract constitutes unfair competition.

The State of New York has set conditions under which the petitioners, who re-bottle perfumes, may sell original merchandise bearing the trade mark of the respondent manufacturer. By its Fair Trade Act, the State has permitted the manufacturer to set the resale price of merchan-

dise identified by his trade mark. Such legislation is merely a simple example of a state protecting the property of its citizens. When the petitioners employ the respondent's trade marks in selling the re-bottled goods, they are dealing in the respondent's property. For, as held in the case of *Old Dearborn Dist. Co.* v. *Seagram Corp.*, 299 U. S. 183:

> "Appellants own the commodity; they do not own the mark or the good will that the mark symbolizes" (p. 194).
>
> * * * * * * *
>
> "The ownership of the good will, we repeat, remains unchanged, notwithstanding the commodity has been parted with" (p. 195).

The State has therefore directed that when a trade mark or its good will which is one man's property, is used by another for his own purposes, the trade mark owner may have some control over such use. Quoting further from the *Old Dearborn* case:

> "and good will is property in a very real sense, injury to which, like injury to any other species of property, is a proper subject for legislation" (p. 194).

It cannot be said therefore that petitioners' rights to due process are involved. It is not the petitioners' property which is being controlled. Petitioners may use their perfume in any manner they see fit if they do not employ respondent's trade mark. The respondent may interfere only when his good will is used by the vendor—and may not interfere if the petitioners remove the trade mark from the re-bottled product. Quoting further from the *Old Dearborn* case:

> "Section 2 of the act does not prevent a purchaser of the commodity bearing the mark from selling the commodity alone at any price he pleases. It interferes only when he sells with the aid of the good will of the vendor; and it interferes then only to protect that good will against injury" (p. 195).

POINT II

The decision below does not conflict with prior decisions of this Court.

Petitioners rely principally on the case of *Prestonettes, Inc.* v. *Coty, Inc.*, 264 U. S. 359. That case, however, is fully consistent with the decision sought to be reviewed. In that case, the Supreme Court held that collateral use of a trade mark did not constitute trade mark infringement. No question of unfair competition was involved.

> "This is not a suit for unfair competition. It stands upon the plaintiff's rights as owner of a trade mark registered under the Act of Congress."
>
> *Prestonettes* v. *Coty*, 264 U. S. 359, 369.

The instant action is directed against unfair competition in the selling of identified or trade-marked merchandise below the trade mark owner's established price.

The New York Court of Appeals, in its decision below, pointed out that the petitioners' use of respondent's trade mark possibly did not constitute a technical trade mark infringement because of the holding of the *Prestonettes* case,

> "but that fact does not in and of itself remove defendants from the purview of the Fair Trade Act" (R., p. 174).

Accordingly, the doctrines of the two cases are easily reconciled by the following statement of the law: The petitioners may legally re-bottle perfume and may employ the respondent's trade mark in selling such perfume. (The *Prestonettes* case.) However, they must observe the respondent's price schedules duly set under the Fair Trade Act. (The *Old Dearborn* case.)

The petitioners claim that this right to set prices is equivalent to a right to destroy the petitioners' business

in that particular article. However, this is no greater right than was given to the trade mark owners in any of the various cases of the Supreme Court holding that Fair Trade Acts are valid legislation. All other related points that the petitioners make are fully answered by noting that a trade mark remains the property of the trade mark owner and does not pass to the purchaser of a commodity bearing the trade mark. Since it remains the property of the manufacturer, the State may legislate to protect the property. Undoubtedly, there are many instances where a State may not see fit to interfere as where the property right is not damaged. However, in this situation, the State has interfered in regulating the re-sale of a commodity by passage of the Fair Trade Act which has been recognized by this Court as valid legislation, and this action is brought thereunder.

POINT III

That the Miller-Tydings Act is involved does not make the case a Federal question.

The Miller-Tydings Act merely recognizes the legality of contracts made under State fair trade legislation, as being excepted from the terms of the Sherman Anti-Trust Act. As such it is involved in the instant case only remotely or at least secondarily. There is no issue arising under the Miller-Tydings Act. The real question is the right of the State of New York to determine what constitutes unfair competition and its power to employ a Fair Trade Act in so doing. That question has been answered in the *Old Dearborn* case. The petitioners recite in Point II of their brief that the respondent Guerlain has registered its trade marks in the Patent Office, apparently emphasizing the Federal aspect of the case. However, the action was not brought under the Trade Mark statutes of the United States and such registration was entirely irrelevant to the petitioners' rights to institute the instant action.

POINT IV

The petitioners' statements as to the importance of the questions are not warranted.

The petitioners cite patent cases, not trade mark cases, to support their view that a monopoly is being fostered. However, a patent is far different from a trade mark. A patent is a monopoly granted by the Federal Government and a patentee should be restricted to the particular rights which have been granted. A trade mark is not a statutory grant. It is merely a name, which needs no legislative sanction. A trade mark does not involve monopoly in the sense of a patent. If the trade mark right becomes so effective or powerful that it can practically prevent competing sales of merchandise, the trade mark is invalid. It has then become the generic word for that merchandise. *Du Pont Cellophane Co.* v. *Waxed Paper Products Co.*, 85 Fed. 2nd 75, certiorari denied, 299 U. S. 601. If the petitioners can prove that respondent's Guerlain trade mark is synonymous with the word "perfume," they may properly allege a monopoly. However, respondent's trade mark can hardly be said to be generic for "perfume." The respondent merely seeks to protect its rather modest property from injury.

POINT V

Three States have had this question presented. All have reached a similar determination.

In addition to the action by the New York Court of Appeals in the instant case, it had formerly decided a very similar controversy in the same manner, *Lentheric, Inc.* v. *W. T. Grant Co.*, 257 App. Div. 348, affd. 282 N. Y. 638.

In Pennsylvania, a similar determination was reached, *Lentheric, Inc.* v. *F. W. Woolworth Co.*, 338 Pa. 523.

In California, the respondent herein brought a similar action through its exclusive distributor, *F. S. De Voin, Exclusive Distributor for Guerlain Products* v. *W. T. Grant.* Superior Court Cal. Feb. 11, 1938, 3 C. C. H. Trade Reg. Serv., par. 25106 (not officially reported). The Superior Court of California sustained the position of the respondent herein.

CONCLUSION

The petition for the writ should be denied.

Respectfully submitted,

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